

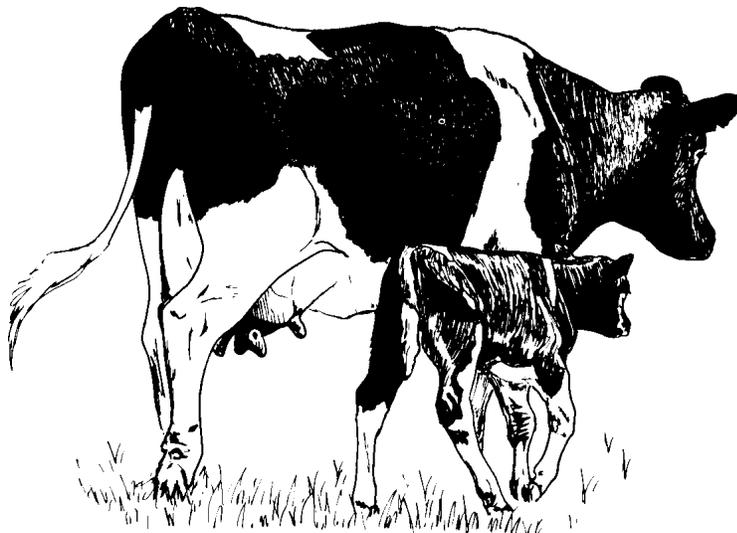
## MILK COSTS and RETURNS, 2001

SOURCE: *Milk Costs and Returns*, Economics Research Service (ERS), USDA  
Information Contact at ERS, USDA: William McBride (202) 694-5577, e-mail: [wmcbride@ers.usda.gov](mailto:wmcbride@ers.usda.gov)

**Milk Costs and Returns:** Average milk prices rose more than 20 percent from 2000 to 2001, reaching \$17 per cwt. in the fall of 2001. Coupled with a modest change in feed grain and forage prices, higher milk prices resulted in significantly higher returns on dairy operations. Returns above operating costs for milk production were up more than 50 percent between 2000 and 2001, rising from \$4.88 to \$7.64 per cwt. Average breakeven prices for milk were about \$7.72 for operating costs and \$16.65 for total costs in 2001. With milk prices in the \$13-\$17 range throughout 2001, most producers were able to cover operating costs and many also covered total costs.

Returns net of operating costs were also higher in 2001 compared with 2000 in all regions. Average returns above operating costs were similar in all regions,

ranging from about \$5 to \$9 per cwt. of milk. However, returns above total costs were much higher in regions with larger dairy operations, including the Prairie Gateway, Southern Seaboard, and Fruitful Rim. Larger dairy operations generally have lower overhead costs because fixed costs for capital and labor are spread over more units of production. Average returns above total costs were positive in each of these three regions for 2001. In contrast, average overhead costs were about \$12 per cwt. in the Heartland, Northern Crescent, and Eastern Uplands, compared with \$3-\$8 in the other regions, the main result of higher capital and labor charges on the smaller farms in these regions. Higher milk prices in 2001 were not sufficient to cover average total costs in these regions.



MILK PRODUCTION: CASH COSTS and RETURNS, by REGION<sup>1/</sup>, 2000 - 2001

Item	United States		Heartland		Northern Crescent <sup>2/</sup>		Prairie Gateway		Eastern Uplands		Southern Seaboard		Fruitful Rim	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Dollars per Cwt.														
Gross Value of Production:														
Milk	12.63	15.36	12.36	15.31	12.90	15.78	13.12	15.54	13.83	16.45	14.07	16.70	11.98	14.55
Cattle	1.05	1.12	1.42	1.54	1.17	1.24	0.84	0.91	1.32	1.42	1.40	1.52	0.71	0.76
Other Income <sup>3/</sup>	0.57	0.74	0.79	1.05	0.63	0.81	0.33	0.40	0.49	0.62	1.16	1.47	0.42	0.56
<b>Total, Gross Value of Production</b>	<b>14.25</b>	<b>17.22</b>	<b>14.57</b>	<b>17.90</b>	<b>14.70</b>	<b>17.83</b>	<b>14.29</b>	<b>16.85</b>	<b>15.64</b>	<b>18.49</b>	<b>16.63</b>	<b>19.69</b>	<b>13.11</b>	<b>15.87</b>
Operating Costs:														
Feed--														
Feed Grains	1.22	1.27	1.83	1.99	1.15	1.22	1.43	1.45	1.23	1.24	0.74	0.78	1.11	1.12
Hay and Straw	1.51	1.67	2.29	2.37	1.07	1.13	1.54	1.54	1.75	1.67	0.92	0.93	1.78	2.20
Complete Feed Mixes	1.43	1.50	0.87	0.94	1.09	1.14	1.47	1.50	2.86	2.97	2.95	3.05	1.63	1.73
Liquid Whey and Milk Replacer	0.08	0.05	0.11	0.07	0.10	0.07	0.07	0.05	0.13	0.09	0.04	0.02	0.04	0.03
Silage	1.09	1.06	0.86	0.82	1.26	1.25	2.08	2.16	0.74	0.79	0.95	0.94	0.80	0.70
Grazed Pasture and Cropland	0.08	0.08	0.13	0.13	0.07	0.07	0.03	0.03	0.26	0.27	0.11	0.11	0.03	0.03
Other Feed Items <sup>4/</sup>	1.08	1.12	1.55	1.58	1.05	1.07	0.90	1.00	2.37	2.70	1.18	1.20	0.81	0.82
<b>Total, Feed Costs</b>	<b>6.49</b>	<b>6.75</b>	<b>7.64</b>	<b>7.90</b>	<b>5.79</b>	<b>5.95</b>	<b>7.52</b>	<b>7.73</b>	<b>9.34</b>	<b>9.73</b>	<b>6.89</b>	<b>7.03</b>	<b>6.20</b>	<b>6.63</b>
Veterinary and Medicine	0.65	0.66	0.75	0.77	0.77	0.79	0.55	0.55	0.55	0.57	0.57	0.59	0.50	0.51
Bedding and Litter	0.16	0.16	0.23	0.23	0.23	0.24	0.02	0.02	0.10	0.10	0.10	0.11	0.07	0.07
Marketing	0.27	0.27	0.22	0.22	0.31	0.31	0.26	0.26	0.36	0.37	0.40	0.40	0.22	0.22
Custom Services	0.53	0.54	0.53	0.54	0.47	0.48	0.93	0.95	0.82	0.85	0.90	0.92	0.42	0.43
Fuel, Lube, and Electricity	0.48	0.47	0.56	0.52	0.56	0.54	0.35	0.37	0.56	0.55	0.51	0.51	0.37	0.38
Repairs	0.53	0.56	0.59	0.59	0.60	0.61	0.39	0.41	0.66	0.68	0.58	0.62	0.43	0.50
Other Operating Costs <sup>5/</sup>	0.01	0.01	0.00	0.00	0.00	0.00	0.02	0.02	0.00	0.00	0.00	0.00	0.02	0.02
Interest on Operating Capital	0.26	0.16	0.30	0.18	0.25	0.15	0.29	0.17	0.36	0.22	0.29	0.17	0.24	0.15
<b>Total, Operating Cost</b>	<b>9.38</b>	<b>9.58</b>	<b>10.82</b>	<b>10.95</b>	<b>8.98</b>	<b>9.07</b>	<b>10.33</b>	<b>10.48</b>	<b>12.75</b>	<b>13.07</b>	<b>10.24</b>	<b>10.35</b>	<b>8.47</b>	<b>8.91</b>
Allocated Overhead:														
Hired Labor	1.14	1.19	0.73	0.79	1.17	1.21	1.22	1.28	0.96	1.05	1.60	1.71	1.19	1.24
Opportunity Cost of Unpaid Labor	3.54	3.58	5.64	5.68	5.15	5.15	0.57	0.53	6.35	6.47	2.49	2.54	0.97	1.01
Capital Recovery of Machinery and Equipment <sup>6/</sup>	3.23	3.41	4.66	4.67	4.11	4.22	1.07	1.12	4.31	4.36	2.74	2.98	1.93	2.29
Opportunity Cost of Land (Rental Rate)	0.06	0.06	0.09	0.09	0.09	0.80	0.01	0.02	0.20	0.20	0.06	0.07	0.02	0.02
Taxes and Insurance	0.18	0.18	0.19	0.20	0.22	0.22	0.09	0.09	0.19	0.20	0.14	0.15	0.14	0.14
General Farm Overhead	0.49	0.50	0.56	0.58	0.61	0.63	0.35	0.36	0.51	0.53	0.52	0.54	0.32	0.33
<b>Total, Allocated Overhead</b>	<b>8.64</b>	<b>8.92</b>	<b>11.87</b>	<b>12.01</b>	<b>11.35</b>	<b>11.51</b>	<b>3.31</b>	<b>3.40</b>	<b>12.52</b>	<b>12.81</b>	<b>7.55</b>	<b>7.99</b>	<b>4.57</b>	<b>5.03</b>
<b>Total, Costs Listed</b>	<b>18.02</b>	<b>18.50</b>	<b>22.69</b>	<b>22.96</b>	<b>20.33</b>	<b>20.58</b>	<b>13.64</b>	<b>13.88</b>	<b>25.27</b>	<b>25.88</b>	<b>17.79</b>	<b>18.34</b>	<b>13.04</b>	<b>13.94</b>
Value of Production Less Total Costs Listed														
	-3.77	-1.28	-8.12	-5.06	-5.63	-2.75	0.65	2.97	-9.63	-7.39	-1.16	1.35	0.07	1.93
Value of Production Less Operating Costs														
	4.87	7.64	3.75	6.95	5.72	8.76	3.96	6.37	2.89	5.42	6.39	9.34	4.64	6.96
Supporting Information:														
Milk Cows (Head per Farm)	93	95	57	59	66	68	474	521	53	53	133	133	399	403
Output per Cow (Pounds)	19,974	20,003	18,567	18,541	19,721	19,806	21,940	22,028	16,942	17,024	19,079	19,097	21,352	21,319
Milking Frequency Greater Than Twice per Day (Percent of Farms)	3.38	3.50	1.62	1.77	2.84	2.98	31.61	34.02	0.40	0.46	7.32	7.15	11.99	12.10
Homegrown Feed Cost (Percent of Total Feed Cost)	34	34	60	60	50	49	5	4	34	34	23	23	13	13
Milk Cows Injected with bST (Head per Farm)	17	17	10	10	13	14	86	94	3	3	26	25	80	80

<sup>1/</sup> In 2002, the Economic Research Service (ERS) modified the publication format to include Farm Resource Regions which depict geographic specialization in production of United States commodities instead of political boundaries, such as state borders. For regional definitions, see the following website <http://www.ers.usda.gov/Emphases/Harmony/Issues/resourceregions/resourceregions.htm#new>.

<sup>2/</sup> Northern Crescent Region includes New England, New York, Michigan, Wisconsin, and portions of Minnesota, Ohio, Pennsylvania, and Maryland.

<sup>3/</sup> Income from renting or leasing dairy stock to other operations; renting space to other dairy operations; co-op patronage dividends associated with the dairy; assessment rebates, refunds, and other dairy-related resources; and manure production.

<sup>4/</sup> Cotton seed meal, protein supplements, protein by-products, vitamin or mineral supplements, non-protein by-products, alfalfa cubes or pellets, green chop, corn and antibiotics, and other medicated additives.

<sup>5/</sup> Manure handling.

<sup>6/</sup> Machinery and equipment, and housing, manure handling, and feed storage structures, and dairy breeding herd.

SOURCE: Agricultural Resource Management Study, USDA/ERS, USDA/NASS.